

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS (DALLAS)

IN RE: . Case No. 22-31641-MVL-7  
. .  
GOODMAN NETWORKS, INC., . U.S. Bankruptcy Court  
. 1100 Commerce Street  
. Dallas, Texas 75242  
. .  
Debtor. . Tuesday, December 13, 2022  
. . . . . 2:32 P.M.

TRANSCRIPT OF HEARING ON  
MOTION TO COMPEL IMMEDIATE ENTRY OF THE ORDER FOR RELIEF  
(EMERGENCY MOTION FOR IMMEDIATE ENTRY OF THE ORDER FOR RELIEF)  
FILED BY CREDITOR FEDEX SUPPLY CHAIN LOGISTICS & ELECTRONICS,  
INC. (112); AND

MOTION TO QUASH OR MODIFY DEPOSITION SUBPOENA FILED BY  
INTERESTED PARTY JAMES GOODMAN (116); AND

MOTION FOR CONTEMPT AGAINST JAMES GOODMAN REGARDING FAILURE TO  
APPEAR AT DEPOSITION/ORIGINAL PETITIONERS' EMERGENCY MOTION FOR  
CONTEMPT AND RESPONSE TO MOTION TO QUASH SUBPOENAS FILED BY  
PETITIONING CREDITORS ALIMCO RE LTD, JLP CREDIT OPPORTUNITY IDF  
SERIES INTERESTS OF THE SALI MULTI-SERIES FUND, L.P., JLP  
CREDIT OPPORTUNITY MASTER FUND LTD, JLP  
INSTITUTIONAL CREDIT MATER FUND LP (117)

**BEFORE THE HONORABLE MICHELLE V. LARSON  
UNITED STATES BANKRUPTCY COURT JUDGE**

APPEARANCES ON NEXT PAGE.

Audio Operator: Dawn E. Harden

Proceedings recorded by electronic sound recording, transcript  
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I N D E X

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Motion to compel Immediate Entry of the Order for Relief. (Emergency Motion for Immediate Entry of the Order for Relief) Filed by Creditor Fedex Supply Chain Logistics & Electronics Inc. (112)

**Court's Ruling**

**45**

1 (Proceedings commenced at 2:32 p.m.)

2 THE CLERK: All rise.

3 THE COURT: Good afternoon. Please be seated.

4 All righty. We are here on our 2:30 docket which I  
5 have misplaced once again, but we have one matter on the docket  
6 and that is Case Number 22-31641.

7 So I'm going to take appearances for the record --

8 Goodman Networks, by the way. And I will take appearances for  
9 the record and start with those in the courtroom.

10 MR. PARHAM: Good afternoon, Your Honor. David  
11 Parham on behalf of the now debtor. And also Russ Nelms who is  
12 our sole director.

13 THE COURT: Looks familiar. You might just have one  
14 of those faces, Mr. Nelms.

15 (Laughter)

16 THE COURT: All righty. I'll take appearances on  
17 WebEx.

18 MS. HARTLEY: Good afternoon, Your Honor. Andrea  
19 Hartley from Akerman also on behalf of Goodman Networks, Inc.

20 THE COURT: Good afternoon.

21 MR. GUFFY: Good afternoon, Your Honor. Philip  
22 Guffy, Hunton Andrews Kurth, on behalf of the original  
23 petitioning creditors. My colleague Paul Silverstein is trying  
24 to join us as well. I think he's having a little bit of  
25 trouble working the dial-in, though.

1                   THE COURT: Oh, okay. Thank you. Good afternoon to  
2 you both.

3                   MR. LANGLEY: Good afternoon, Your Honor. Adam  
4 Langley and Cam Hillyer on behalf of FedEx Supply Chain  
5 Logistics and Electronics, Inc. And we're also -- that's who  
6 we're principally here on. We are also representing FedEx  
7 Freight, Frase Protection, HCL America, and Glympse, Inc.  
8 related to their joinders in this case, as well.

9                   THE COURT: Okay. Thank you very much.

10                  MS. SIXKILLER: Your Honor, Laura Sixkiller -- oh,  
11 sorry, Your Honor.

12                  Laura Sixkiller and Ryan Sullivan of DLA Piper for  
13 ARRIS.

14                  THE COURT: Thank you.

15                  Is there anyone else who wishes to make an appearance  
16 in the Goodman Networks matter?

17                  MR. SILVERSTEIN: I'm from Hunton Andrews Kurth for  
18 the original petitioning creditors. I'm having a hard time  
19 getting in on video, so if you'd bear with me, I'll get there  
20 eventually.

21                  THE COURT: I appreciate that, Mr. Silverstein.  
22 Thank you very much. Take your time.

23                  MR. SILVERSTEIN: Thank you.

24                  MR. KLEINSASSER: Your Honor, Matthias Kleinsasser  
25 with Winstead for non-party James Goodman. I don't plan to

1 speak, but since I'm on video, I figured I should probably  
2 announce myself.

3 THE COURT: All right. Thank you, Mr. Kleinsasser.

4 (Pause)

5 THE COURT: All right, ladies and gentlemen, we  
6 obviously were originally here on status conferences I believe  
7 on a motion for immediate entry of the order for relief,  
8 motions to quash, motions to compel, you name it, you filed it  
9 in terms of discovery motions.

10 I think that the motions to quash, the motion to  
11 compel have been withdrawn. The motion for immediate entry of  
12 the order for relief is now moot. And I'll want to talk a  
13 little bit later about the pending motions for summary judgment  
14 and see if that's also moot given the order for relief.

15 But I did want to maintain the status conference. It  
16 looks like there's obviously still a great deal going on with  
17 respect to the case and I have had an opportunity to at least  
18 skim the debtor's motion to convert from Chapter 7 to a Chapter  
19 11.

20 So, Mr. Parham, I'll start with you today.

21 MR. PARHAM: Okay. I think the -- in terms of this  
22 is the status conference, in terms of the Court's read of where  
23 we are on the docket, I think that is correct that I think that  
24 the motion for immediate entry is moot in light of the Court's  
25 order yesterday. And as I understand it, the motions to quash

1 and compel, they weren't our motions, they were other parties.

2 I believe those have all been withdrawn.

3 The motion for summary judgment dealt with an issue  
4 related to the qualifications of one of the bondholders as  
5 petitioning creditors. So that I think is moot. I think all  
6 the issues regarding who is a proper petitioning creditor, I  
7 think those issues are all moot.

8 THE COURT: Okay.

9 MR. PARHAM: And so what I think we're left with is  
10 the motion to convert which we view is a motion that we're  
11 entitled to as a matter of right to an order converting the  
12 case to Chapter 11. That would -- and I think there are a  
13 couple of ways the Court could proceed.

14 I mean one way is that if you find, if you agree with  
15 us that it's a matter of right and you enter the -- convert it  
16 to Chapter 11, then I think it would behoove those parties if  
17 they wanted to come in and file a motion to convert back, that  
18 they would do that and we would set it up on a normal motion  
19 and time and, you know, process.

20 I think you can do that and we would ask you to do  
21 that because I think it makes more sense than appointing a  
22 trustee while we're battling this all out. If you were going  
23 to do that, you could go a couple of ways. I think you could  
24 withdraw the order from yesterday and use the conversion motion  
25 as -- because it did seek entry of an order for relief in

1 Chapter 11.

2 So you could do that, or you could leave it in place  
3 and then we would have I guess our motion to convert would be  
4 hanging out there. But to us, it makes more sense to have --  
5 rather than have our motion to convert, have a hearing on that  
6 and then if we win, they have to file their motions, it makes  
7 more sense to do all that in one fell swoop so that we would  
8 essentially be in Chapter 11 for the next, you know, however  
9 many days before we had a hearing, and then have a hearing if  
10 in fact the parties, that's what the parties want.

11 You know, we're hopeful we can talk with them and  
12 maybe not have that. But I think you can hear from them that  
13 at least at this point, they're probably determined to contest  
14 that. But that's how we think the case should proceed at this  
15 point. And like I say, to us it makes more sense to go ahead  
16 and essentially put us into Chapter 11 and then deal with, you  
17 know, any motion to convert or to appoint a Chapter 11 trustee.

18 There are some reasons this case should be in -- or a  
19 lot of reasons this case should be in Chapter 11, one of which  
20 is we have subsidiaries who are also on the bonds. And the  
21 ability to do a jointly-administered case, they have separate  
22 assets to us makes, you know, makes a lot of sense. And so --  
23 and that's what we had in fact were in the process of preparing  
24 to do when the order was entered yesterday. Obviously, we've  
25 stopped.

1           I guess it's not clear at this point, in fact,  
2 whether or not we have any ability to do anything with the  
3 subsidiaries given that Goodman Networks, the debtor, is the  
4 sole member of those subsidiaries and now there's a trustee  
5 that is -- or there will be a trustee if we go down this route  
6 -- that is in -- that has control of Goodman Networks.

7           So it really hamstrings -- I think it makes the case  
8 more difficult if we go that route as opposed to putting us  
9 into Chapter 11 and then having a hearing whenever if the  
10 parties file motions, and then also I think deals with --  
11 solves the issues around due process because then you're --  
12 then we're actually ruling on pleadings and people have time to  
13 respond and do as they think.

14          So that's our view of how this case should proceed.  
15 I think that -- like I say, we think that makes by far the most  
16 sense in terms of getting this -- you know, because at the end  
17 of the day, I mean the idea here is to obviously liquidate  
18 these debtors -- we would file a liquidating plan as debtors in  
19 possession -- and to maximize the recoveries for the assets.

20          And consistent with that, one of the things that we  
21 had done to address issues that were raised over management and  
22 as the Court's probably aware, there were some pre-petition  
23 transactions that were best and prudent. But those were done  
24 by a CEO who's no longer with the company. And so the people  
25 --

1 THE COURT: Is that James or John Goodman?

2 MR. PARHAM: James.

3 THE COURT: James Goodman.

4 MR. PARHAM: James.

5 THE COURT: Okay, thank you.

6 MR. PARHAM: No, no, no, no, no. James Frenzi.

7 THE COURT: Oh, James Frenzi.

8 MR. PARHAM: James Frenzi.

9 THE COURT: I apologize. Yes, yes.

10 MR. PARHAM: Yeah, it was not a Goodman.

11 THE COURT: Yeah, it was not a Goodman.

12 MR. PARHAM: And so what's -- yeah. And so what's --

13 THE COURT: So many Goodmans, but that's not --

14 UNIDENTIFIED SPEAKER: And there's no pun intended  
15 there.

16 THE COURT: -- not the one at issue. Thank you.

17 MR. PARHAM: Yeah. And so what's happened really is  
18 that the equityholders have kind of reasserted themselves into  
19 the process. And part of that was hiring Mr. Nelms to be the  
20 director and someone that we think the parties should have  
21 confidence in. And so that was the genesis for that and to  
22 hopefully get people confidence that what happened in the past  
23 was a different team, different -- you know, a different person  
24 and they're gone. And those transactions would now be  
25 scrutinized by the new team, so to speak.

1                   THE COURT: Okay. Well, thank you very much, Mr.  
2 Parham. And I will go to the other parties. I can tell you  
3 from the Court's perspective, obviously there was a tremendous  
4 amount of correspondence with our courtroom deputy as things  
5 percolated with the discovery issues and the eventual addition  
6 of petitioning creditors that there was no question as to their  
7 eligibility as there were to the first five creditors.

8                   From the Court's perspective, I understood that the  
9 debtor wasn't questioning their eligibility. I saw the  
10 debtor's motion to convert. I didn't see any reference to  
11 other entities and affiliates coming in under Chapter 11. And  
12 I saw a motion to convert and that's why the order for relief  
13 was entered because it was my understanding, well, you seek to  
14 convert from 7 so the Court put the debtor into a 7. And,  
15 obviously, that's the way it was filed, as well.

16                  So a little explanation on how we got here. But let  
17 me hear from the other parties because it looks like there has  
18 been obviously some factual changes and some attempts to  
19 essentially meet the creditors in terms of a changing of the  
20 guard at the director position.

21                  So let's see what the other parties think. I'll  
22 start with Mr. Guffy or Mr. Silverstein.

23                  MR. SILVERSTEIN: Yeah, it's Mr. Silverstein. Can  
24 you hear me, Your Honor?

25                  THE COURT: I can. And I can see you, as well.

1                   MR. SILVERSTEIN: Thank goodness. Again, I apologize  
2 for my technical lack of skill.

3                   First off, this case -- the order for relief was  
4 properly entered as it should have been. I think for  
5 background, the whole concept of the debtor moving to convert  
6 the case to a Chapter 11 was a stall tactic, essentially,  
7 because the debtor wanted desperately to avoid the depositions  
8 of James Goodman, John Goodman, and Mr. Frenzi and others.

9                   You know, frankly, it was really abusive from our  
10 perspective and I say that most respectfully. I'm not trying  
11 to get personal here. We don't see any basis for a Chapter 11.  
12 I suppose if Mr. Parham wants to file that motion on behalf of  
13 his client, that's his prerogative, I suspect, and we will  
14 address it and it will be the appropriate discovery with that.

15                  You know, frankly from our perspective, we don't  
16 think there's -- I mean we understand that Mr. Frenzi who  
17 essentially made himself or his company a \$42-million loan or  
18 \$44-million loan when he was CEO of the debtor and CEO of the  
19 borrower that he's no longer in control. I also understand  
20 from the documents that were produced in discovery that some  
21 Goodman family entity transferred to themselves approximately a  
22 half a million dollars post-petition for whatever reason that's  
23 not clear to us.

24                  So there's really no changing of a guard here. And  
25 from my perspective, this case to date from the debtor's side

1 has been, and you'll excuse the expression, really lies in  
2 thievery. And I'm breaking a rule here that I think your late  
3 mentor taught me that you have to be very nice to people, but  
4 it's really hard to be very nice to people when things are so  
5 outrageous. And I think things have been so outrageous, and I  
6 think the petitioning creditors, the original petitioning  
7 creditors as well as the joined-in creditors would attest to  
8 that.

9                  You know, again, it's been a -- to give a little more  
10 color, initially, Mr. Parham's defense or the debtor's defense  
11 here was that the original petitioning creditors were not  
12 eligible petitioning creditors because they were oversecured  
13 because you look to the collateral of non-debtors, allegedly,  
14 is what he argued. We filed that motion of a partial summary  
15 judgment which is now moot.

16                  Then when that came out, he changed the story to  
17 create this so-called -- to create a piece of collateral that  
18 was transferred away from the debtor in what looks like an  
19 outrageous transfer that needs to be recovered. So without  
20 belaboring the point, we see absolutely no merit in Mr.  
21 Parham's position that an interim trustee should not be  
22 appointed. We think an interim trustee needs to be appointed  
23 immediately so that adult supervision is imposed here.

24                  And Mr. Guffy may have something addition to add.  
25 I'm still a little flustered by my inability to get on this

1 call. So, Mr. Guffy, please feel free to supplement me.

2 MR. GUFFY: Yes, Your Honor. This is Philip Guffy.

3 And what Mr. Silverstein said regarding the -- if we  
4 just look at the one transfer of \$44 million to Mr. Frenzi's  
5 company, that was counterside by James Goodman who is a member  
6 of the board at the time that that transaction was made, as  
7 well as a number of other questionable transactions the debtors  
8 have disclosed to us.

9 The equityholders that Mr. Parham refers to, you  
10 know, our understanding is that those are all Goodman family  
11 members. And, quite frankly, any individual who is selected by  
12 or connected to the Goodman family is absolutely inappropriate  
13 to oversee any kind of bankruptcy proceeding for this debtor.

14 This case desperately needs an independent fiduciary  
15 who will properly investigate the debtor's finances and the  
16 transactions that it engaged in order to give a proper recovery  
17 to the creditors who are out millions and millions of dollars  
18 as a result of this debtor's actions.

19 And in particular with the motion to convert, I  
20 noticed that it had some boilerplate language on the beginning  
21 that indicated a 14-day response deadline that would fall on  
22 December 26th, the Monday after Christmas. We don't think that  
23 that kind of schedule is appropriate here, nor do we think that  
24 the debtor has a right of conversion under the Bankruptcy Code.  
25 It has the ability to move to convert the case, but it is not

1 an absolute right. And that's something that we can brief if  
2 Your Honor would like to see the case law on it.

3 We plan to contest the motion to convert. In  
4 particular, we think that it should be set for a proper  
5 schedule so that we can conduct discovery. First of all, we  
6 have no idea who this director is that's supposedly appointed.  
7 We'll probably want to question him and how he became to be the  
8 director of the debtors, as well as investigating more of these  
9 transactions that we were prevented from investigating because  
10 the debtor decided at the last minute to try this gambit of  
11 converting the case to a Chapter 11 instead of allowing the  
12 scheduled depositions to go forward.

13 So we want a discovery schedule for the motion to  
14 convert. We want an appropriate time to respond, and we would  
15 ask that Your Honor not withdraw the order for relief that was  
16 entered and have an interim trustee get appointed here  
17 immediately.

18 With respect to the other entities, the interim  
19 trustee will control those entities. If he or she feels that  
20 it would be beneficial to have those entities in bankruptcy, as  
21 well, then that person will have the ability to file petitions  
22 for those entities, as well, and can administer all of them.

23 MR. SILVERSTEIN: Your Honor, it's Paul Silverstein.  
24 May I add one more thing?

25 THE COURT: Please.

1                   MR. SILVERSTEIN: At the risk of being over the top.  
2  
3                   When I read the motion to convert or as soon as I  
4 completed the motion to convert, I pulled out my book and I  
5 pulled out Rule 11(b) of the Federal Rules of Civil Procedure.  
6 I actually read it three or four times. I think it applies  
7 here. I think Mr. Parham needs to hear me on the record say  
8 that I think it applies here. I think Akerman management needs  
9 to hear that we think it applies here because I think it  
applies here.

10                  THE COURT: Okay. Thank you again, Mr. Silverstein.

11                  What I would say is, first, so that no one speaks out  
12 of turn, in terms of who the sole director is, I just -- again,  
13 we're having a hybrid hearing. Some folks are in the  
14 courtroom; some folks are on the WebEx. The sole director is  
15 former United States Bankruptcy Judge Russell Nelms, the former  
16 bankruptcy judge that sat for his term in Fort Worth, Texas.

17                  So I just want to say that because maybe it wasn't  
18 clear during the appearances. And that's not to give any  
19 deference necessarily to the Chapter 7 debtor's position and to  
20 the new sole director. I just want everyone to know that  
21 obviously the Court is very familiar and I think all the rest  
22 of the folks are probably now pretty familiar with Former Judge  
23 Nelms' service to the Court.

24                  So I just want to say that.

25                  MR. SILVERSTEIN: Your Honor, can I interrupt? I

1 should have realized that when I heard the name. Obviously, we  
2 have a high regard for Judge Nelms. We have had debtor cases  
3 before Judge Nelms. There's something about a chicken suit  
4 that I remember about Judge Nelms, and that should not even be  
5 relevant because that was all in humor.

6 Judge Nelms would be a fantastic Chapter 7 Trustee  
7 here. But, you know, I'm sure that the debtor had its way it  
8 would have found Abraham Lincoln to be the sole director or  
9 someone as equally pristine. But, again, it's a rouse.

10 THE COURT: No, I recognize --

11 MR. SILVERSTEIN: It's a rouse.

12 THE COURT: I certainly recognize where the parties  
13 are, Mr. Silverstein. And I'm not trying to change the  
14 narrative. I'm just trying to just put that out there for  
15 everyone's benefit.

16 I'll hear from the other folks before I give any  
17 further comments and go back to Mr. Parham for any form of  
18 rebuttal. And, obviously, this is more in the line of a status  
19 conference, and so I'll give everyone their due time.

20 One thing that my able clerk, Mr. Embry, reminded me  
21 and I think we also had on today some motions for contempt and  
22 those were also withdrawn, I believe. So I'll just say that  
23 for the record so anyone can correct me if I'm wrong there  
24 because I know it's a motion to compel but not necessarily a  
25 motion for contempt.

1           All righty. I'll go now to FedEx. Mr. Hillyer, Mr.  
2 Langley?

3           MR. LANGLEY: Yes, Your Honor. Adam Langley on  
4 behalf of FedEx and the other joining creditors that we  
5 identified earlier.

6           I think it's important to start out kind of where we  
7 were when this happened. At the time the order for relief was  
8 entered, we were in a 30(b)(6) deposition of Goodman Networks  
9 and GNET and CFGI, the financial advisor for Goodman Networks  
10 and GNET. And that designee had been appointed to speak on who  
11 was the officers and directors of these entities. And the only  
12 person that was identified as an officer or director of any of  
13 these entities in that 30(b)(6) when the order of relief was  
14 entered and the deposition was then cancelled was an individual  
15 named John Goodman.

16           And so we aren't sure how after an order for relief  
17 when a Chapter 7 Trustee is to come into possession of this  
18 estate and is to be the sole representative under 323 of the  
19 Bankruptcy Code and to exercise control over the assets under  
20 363 of the Bankruptcy Code and to exercise the duties of a  
21 trustee under 704(a) and to be the representative of the causes  
22 of action in the other proceedings and papers of the trustee  
23 under Federal Rule 6009 that Akerman comes into this Court  
24 representing the debtor with an (indiscernible) director that  
25 wasn't disclosed in the 30(b)(6) deposition yesterday when the

1 order of relief was entered.

2 We're not sure how that was done. We're not sure how  
3 they have authority to be here. We're not sure how anybody but  
4 a Chapter 7 Trustee can file a motion to convert. And I don't  
5 say this lightly because I actually handled this exact issue  
6 within the last month in a case here in the Western District of  
7 Tennessee where I did represent the Chapter 7 Trustee as  
8 counsel and the U.S. Trustee appeared in that and objected to  
9 the debtor's former counsel appearing in that case on behalf of  
10 the debtor. And, ultimately, it was the debtor's purported  
11 attorney, which here Akerman says they are the proposed  
12 attorneys, they withdrew their motion to convert because they  
13 realized they had no authority to act on behalf of the debtor  
14 after the order of relief was entered.

15 So I think this Court needs to take very serious the  
16 concerns and the representations that are being made by Akerman  
17 here. And I recognize that Mr. Nelms is a former bankruptcy  
18 judge so he should be familiar with the idea of authority and  
19 who has authority here. And if there was no board action, if  
20 there was no action by the trustee, I have grave concerns of  
21 how this case is proceeding with a motion to convert. And I do  
22 not think Akerman has standing to present that on behalf of  
23 John Goodman at this point in time.

24 I don't know that Mr. Nelms was involved in that  
25 decision on the motion to convert because, again, this order

1 for relief was entered in the middle of a 30(b) (6) deposition  
2 where a specific topic was who are the officers and directors  
3 and Mr. Nelms was not disclosed as being an officer or  
4 director.

5 So I don't understand how after an order for relief  
6 in a Chapter 7 case that can be done. So that is the first  
7 thing we would address.

8 The second issue we would address is we don't think  
9 that there's an absolute right to convert, and I don't want to  
10 get too far in the weeds and argue that. But Marrama is very  
11 clear that when there are bad faith actions, there isn't a  
12 right to convert. And that's been applied in Chapter 11 cases.  
13 Marrama was a Chapter 13 case. That's been applied in Chapter  
14 11 cases.

15 There's an abundant authority out there that an  
16 involuntary 7 where the debtor can't reorganize, which the  
17 debtor here has admitted he can't reorganize, there's no  
18 assets, there's no ability to prosecute that, there's no  
19 ability to reorganize.

20 And here where there's at least -- and I'm trying to  
21 think off the top of my head, I believe we now have 12  
22 different creditors that are petitioners at this point in time  
23 that represent claims of close to \$150 million -- that's a  
24 pretty astounding amount of creditors in numerosity and in  
25 dollar amount -- that want a Chapter 7 Trustee here to

1 prosecute actions.

2 I'd like to run through what the deposition yesterday  
3 presented. And, obviously, this is presented as a proffer.  
4 It's not actually putting the evidence before the Court. But  
5 this is what would come before the Court if we were to try the  
6 motion to convert.

7 We would show that there were \$84 million of insider  
8 transfers out of these companies in 2022, and you can refer to  
9 Document 80-1 which was an attachment, the financial  
10 consolidated statements of the debtor that were attached to the  
11 motion for summary judgment filed by the original petitioning  
12 creditors. Those show that over \$84 million which we think was  
13 FedEx's money because we're owed approximately \$82 million.  
14 And there may be other creditors' monies that was involved in  
15 that, as well.

16 But that was transferred, the entities controlled by  
17 James Frenzi -- and the 30(b) (6) witness yesterday represented  
18 that there wasn't books and records to substantiate a  
19 significant portion of those transfers and that he called them  
20 -- let me see if I can pull out his reference, but it was  
21 something -- he called them a derogatory term, I'll put it that  
22 way, as to what was done related to the assets here.

23 And I understand that Mr. Parham is trying to isolate  
24 Mr. Frenzi as the bad actor here, but we think it goes much  
25 further because prior to 2022, we have reason to believe based

1 on the deposition and the documents that were produced in  
2 discovery that John Goodman received a transfer of a  
3 significant portion of assets to an entity that was formed in  
4 2020 called Global Telecom Holdings and Global Telecom Services  
5 and that an \$8-million promissory note or some type of  
6 preferred shares were given to the debtor.

7                 The debtor represented through his 30(b) (6) designee  
8 yesterday that that \$8 million is not collectible or at least a  
9 significant portion of it's not collectible which raises the  
10 question of was that transfer to John Goodman of those  
11 substantial business assets even valid.

12                 We have reason to believe that additional assets were  
13 transferred from the debtor to a company called Unified Field  
14 Services that was formed in the last three years and is  
15 principally owned by James Goodman. There was a \$6.6-million  
16 obligation to the debtor that was represented in the 30(b) (6)  
17 testimony yesterday. That has been reserved in full meaning  
18 that James Goodman's company, Unified Field Services, is not  
19 expected to pay any money for that transfer.

20                 Again, that is a fraudulent transfer to an insider  
21 that has been represented as uncollectible as recently as  
22 yesterday in the 30(b) (6) deposition. And so we have really  
23 grave concerns with these transactions. We know that there is  
24 no cash left in the debtor at this point in time. We know  
25 there's no significant business assets left in the debtor

1 because of these fraudulent transfers.

2           And we think that if we're forced to try this motion  
3 to convert, it's going to be overwhelmingly and astounding to  
4 the point of criminal sanctions may have to be brought against  
5 certain parties and portions that have participated in these  
6 activities.

7           So, Your Honor, we think none of that should go  
8 forward. We've spent a ton of money on discovery already. We  
9 don't think Mr. Parham and Akerman have any standing to bring  
10 the motion to convert. We ask you to exercise your authority,  
11 both inherent and under 105(a), to end this now and not allow  
12 the debtor to be represented by a law firm that has no  
13 authority from a trustee.

14           If the motion to convert is immediately denied, the  
15 Chapter 7 Trustee can be appointed and all this can be  
16 investigated and the duties under 704, the actions under 363,  
17 and all the other activities that we know good and diligent  
18 Chapter 7 trustees pursue will be done and the creditors can  
19 participate as they need be. But we could stop incurring these  
20 broad and expansive discovery expenses that serve no purpose  
21 other than to further prove the fraud and the substantial  
22 mismanagement of the debtor by the debtor's principals and  
23 related parties and the fraudulent transfers that are  
24 astounding. Quite frankly, astounding.

25           And with that, I think you've heard a lot for a

1 status conference and we'll save it for another time.

2 THE COURT: Oh, status conferences are the best.

3 So I do have a question for you. There's been a lot  
4 said with respect to Akerman not having standing to file a  
5 motion to convert. And, obviously, the Court is not going to,  
6 you know, rule upon any standing issues today. But is it my  
7 understanding that the creditors are arguing that the debtor  
8 doesn't have the right to counsel?

9 I mean there may be a right to act on behalf of a  
10 debtor in possession. There may be the right -- there may be a  
11 question of whether or not you can get paid for it, but are you  
12 saying that the entity being in Chapter 7 doesn't have the  
13 right to counsel and to seek to convert at all?

14 MR. LANGLEY: Your Honor, it's very clear through the  
15 case law, and let me cite just one for you. It's a Tenth  
16 Circuit case called C.W. Mining Co v. Aquila. It's 636 F.3d  
17 1257. And this wasn't on a motion to convert, but it was on  
18 whether an order for relief can be appealed.

19 And the Tenth Circuit very clearly held there's a  
20 difference between individual debtors and corporate debtors.  
21 And when we are dealing with an individual debtor, that  
22 individual continues to exist. But with a corporate debtor,  
23 the corporation can only act through its authorized agents.  
24 And so there has to be an authorized agent that authorizes the  
25 corporation to act.

1                   And before the order of relief was entered, Mr.  
2 Parham was acting under properly delegated, we assume properly  
3 delegated authority to act on behalf of the debtor. After the  
4 entry of the order of relief, the board of directors of the  
5 corporation is no longer the authorized agent for the estate.  
6 That is the Chapter 7 Trustee.

7                   So we think the debtor can have counsel, but that  
8 counsel's only through the Chapter 7 Trustee and the  
9 appointment -- or, excuse me, and the professional process  
10 under 327 and 300 that would be the trustee employing counsel  
11 to do that.

12                  That's how I was in this other case. I was employed  
13 by the trustee to fight the motion to convert. And so it was  
14 kind of this funny position where you had the trustee acting on  
15 behalf of the debtor opposing the counsel, pre-petition counsel  
16 who was purportedly acting on behalf of the debtor. And it's  
17 like who's acting, Akerman or the Chapter 7 Trustee to  
18 represent the debtor at this point?

19                  And it's clearly under case law the Chapter 7 Trustee  
20 is the party that's correctly authorized to operate this  
21 company and to make business decisions and to make filing  
22 decisions related to the debtor.

23                  THE COURT: Okay. Again, the Court won't rule on any  
24 standing issues today, but what the Court will note that in the  
25 C.W. Mining case, a trustee had been appointed. And a trustee

26

1 has not yet been appointed to my knowledge given that the order  
2 for relief is so new. But looking at Page 1263,

3 "After C.W. entered into the Chapter 7 bankruptcy and  
4 a trustee was appointed, the former management's only  
5 role was to turn over the corporation's property to  
6 the trustee and to provide certain information to the  
7 trustee and to the creditors. C.W.'s directors were  
8 otherwise completely ousted."

9 It says,

10 "The Bankruptcy Code makes no provision for former  
11 management to appear in a Chapter 7 proceeding to  
12 assert a separate interest on behalf of the debtor.  
13 Authority to make legal decisions like all other  
14 business decisions passes to the trustee alone."

15 So I do believe that we're in a narrowly different  
16 circumstance there. I appreciate your argument, and I'm not  
17 ruling appoint it, but just looking at the one case that you've  
18 given me and without -- obviously, I know the parties are  
19 interested in briefing this.

20 But I'll just say this before I go on to ARRIS and  
21 the others. Although the Court did intend by entry of the  
22 order for relief noting that the debtor, the alleged debtor, no  
23 longer opposed the relief, the Court did obviously  
24 intentionally enter the order for relief. It wasn't  
25 accidental.

1           But given that the motion to convert was on file, I  
2 don't know that the Court necessarily intended to change the  
3 debtor's rights in that regard because, again, the motion was  
4 on file prior to the entry of the order for relief. So I do  
5 believe you've got a couple of interesting nuances here.

6           MR. LANGLEY: Your Honor, if I may?

7           THE COURT: Please.

8           MR. LANGLEY: If I may, just a correction. So to  
9 procedurally address the filing, FedEx's motion for immediate  
10 order of relief came first. Then the Court did enter the order  
11 for relief. And only after the entry of the order for relief  
12 did the debtor file this motion to convert.

13           Now the debtor did make representations in an email  
14 to the Court, but that pleading came only after FedEx's motion  
15 and the Court's own order for relief.

16           THE COURT: Let me take a look.

17           MR. SILVERSTEIN: Your Honor, can you hear me?

18           THE COURT: I can, Mr. Silverstein.

19           MR. SILVERSTEIN: If I may, I don't mean to speak too  
20 much here. I'm not sure that I would necessarily agree with  
21 all the comments on that subject. I don't think it's before  
22 the Court today.

23           THE COURT: That's fine.

24           MR. SILVERSTEIN: I think as Your Honor pointed out,  
25 this is a status conference. So I don't think we have to

1 address that today and I don't think we have to -- yeah, I  
2 don't think anyone's looking for advisory opinions either way  
3 on that today.

4 THE COURT: Okay. I appreciate that, Mr.  
5 Silverstein. And, no, it's not on for today. And let's look.  
6 And just for the sake of the record, Mr. Langley is correct the  
7 order for relief did proceed the motion to convert by a few  
8 hours.

9 And I think that I may have been -- may have missed  
10 -- we had received a great deal of communication about the  
11 potential for a motion to convert prior to the motion being  
12 filed in connection with the scheduling of hearings on the  
13 motion for immediate entry, motions to quash, and the motions  
14 for contempt.

15 All righty. Well, thank you all. So I'll go to  
16 ARRIS next.

17 MS. SIXKILLER: Thank you, Your Honor.

18 There are things that have been happening without  
19 disclosure until today that we're just learning about, so we  
20 need more time to consult with our client on the exact position  
21 we're going to take on everything. But for purposes of this  
22 status conference, we do join in the argument that there is not  
23 an absolute right to conversion and that the parties, in  
24 particular, the creditors need an opportunity to vet that  
25 motion and to consult with their clients and take the position.

1           And so we also don't oppose as part of that process,  
2 you know, the discovery being requested by the petitioning --  
3 original petitioning creditors and certainly join in the  
4 request to extend the deadline to respond to the motion to  
5 convert. And we also would not oppose a temporary trustee in  
6 place at the company.

7           THE COURT: All righty. Thank you very much, Ms.  
8 Sixkiller.

9           Is there anyone else on behalf of the creditors that  
10 wishes to be heard before I go back to Mr. Parham?

11           MR. KLEINSASSER: Your Honor, Mathias Kleinsasser for  
12 James Goodman. I'm not -- my client's -- obviously I'm not  
13 aligned with the petitioning creditors. I'm a non-party here.

14           But, you know, I just want to say for the record that  
15 the allegations about my client that Mr. Langley just, you  
16 know, walked through a significant amount of deposition  
17 testimony that allegedly happened yesterday, I wouldn't know  
18 what was testified to yesterday because I was improperly  
19 excluded from the deposition. I was actually forced to leave  
20 which is completely contrary to Fifth Circuit precedent.

21           I cited authority for that in my response to their  
22 motion to compel and for sanctions. The only basis fr  
23 excluding a witness in the Fifth Circuit is actually to get a  
24 protective order restated and due. So I wasn't allowed to  
25 attend that deposition.

1           But at any rate, you know, I just think it's improper  
2 for someone to take a deposition, it's through that person's  
3 lawyer who they are talking about or at least one of the people  
4 from that deposition, and then basically walk into court and  
5 testify.

6           And, you know, this is -- I think that's an  
7 inappropriate use of a status conference. I understand they  
8 want to state their position as to how they feel about issues  
9 like motions to convert and that kind of thing which I think  
10 should be appropriately briefed. But the bottom line is I just  
11 want to state for the record that my client denies any  
12 wrongdoing and I just would urge the Court to keep an open mind  
13 as to the allegations and the alleged testimony that Mr.  
14 Langley just put on the record because I just don't think  
15 that's an appropriate use of the status conference.

16           THE COURT: Okay. I think I must not be  
17 understanding. Was your client the deponent or was it the  
18 other Mr. Goodman?

19           MR. KLEINSASSER: No, no, no. My client was not the  
20 deponent.

21           THE COURT: Okay.

22           MR. KLEINSASSER: You know, my -- yeah, it's just  
23 that apparently there was allegedly testimony. I wouldn't  
24 know. I wasn't allowed to be there. But there was allegedly  
25 testimony involving some stuff, you know, that involved my

1 client, allegedly. And I just think to go in here and to sort  
2 of recount the alleged record at a status conference when there  
3 are rules of evidence that govern how you can put evidence on  
4 the record. There are rules for a reason. I just think that's  
5 an improper use of the status conference.

6 So I'm really just pointing it out for the record  
7 that whatever was said regarding what was testified to  
8 yesterday, I just would urge since there were allegations that  
9 are negative about my client that the Court keep an open mind  
10 because not only, you know, is that evidence not properly  
11 before the Court at this point, you know, I just don't think  
12 it's an appropriate use of the status conference by Mr.  
13 Langley.

14 THE COURT: Okay. Thank you, Mr. Kleinsasser.

15 Please rest assured that the Court well knows the  
16 difference between evidence and argument. And there's a reason  
17 there are no witnesses and no documents. There's been no  
18 evidence today, all argument. But I appreciate you bringing it  
19 to my attention.

20 MR. KLEINSASSER: Thank you, Your Honor.

21 THE COURT: You're welcome.

22 All right. Mr. Parham, there was a lot there to  
23 unpack.

24 MR. PARHAM: There was a lot there. And so I'm going  
25 to try and walk through some of this.

1                 First of all, under Rule 706, and I assume we'll  
2 brief it if we need to, but the Rule provides that a debtor may  
3 file a motion to convert and, obviously -- from 7 to 11. And,  
4 obviously, for that to happen, there would be a 7 and a  
5 trustee, but it says debtor. And 706 I think it's (b) also  
6 goes in and says any party in interest can file a motion to  
7 convert to 11. So we think we were well within our rights to  
8 file it.

9                 They are correct that it was filed afterwards. We  
10 were in the process of preparing it when the order came across  
11 the ballot, so to speak. And we probably would have filed it  
12 earlier but kind of that took us back a bit and we had to kind  
13 of recalculate based on that order that said we thought we had  
14 more time to file it, the motion to convert to Chapter 11  
15 because the hearing wasn't until the 19th. And our intention  
16 was obviously to get it on file yesterday in advance of this  
17 hearing. So while it was filed afterwards, I mean obviously  
18 that motion was about ready to go when the order came out.

19                 And, obviously, I disagree with a lot of what Mr.  
20 Langley said. For one thing, Mr. Nelms was hired before the  
21 order for relief came in. We're not purporting to be here  
22 acting for the trustee or for the estate. We are here for the  
23 debtor. We understand that there is a difference. And there  
24 is no trustee yet, but we're not here trying to represent the  
25 estate today and, obviously, there's -- given that that order

1 was entered.

2                 The motion to file -- to convert to Chapter 11, I do  
3 disagree with Mr. Silverstein. It's not a stall tactic. As  
4 the Court's well aware, late last week a number of joinders  
5 were filed. And until that point in time, our intent was to,  
6 as we had been, to contest the qualifications of the various  
7 petitioning creditors. Given the number of joinders that  
8 stated getting filed late last week, the decision was made not  
9 to go forward and contest that. But it wasn't a stall tactic.  
10 It was circumstances changed, and that's why we did -- that's  
11 why the motion to convert was filed when it was filed and not  
12 weeks ago at the outset of the case. But certainly, it was not  
13 a stall tactic.

14                 I'm not going to get into the -- I agree with Mr.  
15 Kleinsasser that basically testifying about what happened in  
16 the deposition yesterday is improper. That said, it was no  
17 Goodman was testifying. It was basically the CFGI  
18 representative. And that deposition was cut short because of  
19 the order for relief.

20                 It was terminated at that point in time, which you  
21 would expect, without other parties being able to cross-examine  
22 or to come in and clean up any misstatements that may have been  
23 made. And perhaps we'll see that or maybe we won't see the  
24 transcript at some point in time in the future. But I did want  
25 to make that point with respect to the deposition.

1                 Looking at the other stuff, and, again, I really  
2 would hope and I know the Court will keep an open mind  
3 basically but pointing to every transaction with an insider and  
4 saying it's a huge fraudulent conveyance I think is -- going  
5 back several years, no less. You know, I think the evidence  
6 will be what the evidence is. On the Global Telecom, for  
7 example, it was to acquire stock and we'll see what the value  
8 of the stock is. But that was -- and that transaction was,  
9 again, some time in the past.

10               So I mean all those -- you know, kind of the old  
11 story, there's two sides to every story. And I think that on a  
12 lot of this, there will be and some of it -- you know, some of  
13 it was, like I said, at best it was imprudent, some of Mr.  
14 Frenzi's transactions. But the \$44-million loan that was  
15 referred to that was made by Mr. Frenzi to Mr. Frenzi's  
16 company, I think Mr. Goodman would dispute that it was his  
17 signature or approving that. That's going to be I think very  
18 much a -- well, he'll dispute it and I'm not sure that Mr.  
19 Frenzi will dispute that he didn't sign, that Mr. Goodman did  
20 not sign it.

21               But that was a transaction that was in GNET, one of  
22 the subsidiaries we're talked about. And so that's the \$44-  
23 million note which is an AMRR as a publicly-traded company on  
24 the OTC. It has value in excess of its debt. I mean it's got  
25 a market cap that said the note is in default and that's an

1 issue that's got to be dealt with in the coming insolvency as  
2 to what to do with that note and how to collect on it.

3                 But that is -- and that's part of the reason that  
4 we're talking about some of the complexities and the issues  
5 with the subsidiaries is that is a substantial asset that  
6 because of the default and all the circumstances around it, you  
7 know, there's a lot there that's going to need to be sorted  
8 out.

9                 And that's really -- I'm just trying to think. I was  
10 taking notes as we went down here. That's our point. We think  
11 from a procedural standpoint, you know, I understand the  
12 frustration from the creditors. I really do. But our goal is  
13 to try and do this as efficiently as possible. And certainly  
14 by bringing in Mr. Nelms to head this ship, we hope that's --  
15 you know, once they get a chance to reflect and, frankly,  
16 that's very very recent. It was before the order for relief  
17 was entered, but it was shortly before the order for relief was  
18 entered.

19                 But that was, again, part of the process that we were  
20 going through as we got ready to try and convert to Chapter 11.  
21 But I hope as the creditors get a chance to reflect, that will  
22 have an impact.

23                 But that's our goal. It's not to obstruct. It's not  
24 to delay. I mean basically the Goodmans want to get this done  
25 and want people paid as much as they can be paid given where we

1 are which is not where anyone wanted to be.

2 THE COURT: And you said there is an affiliate that  
3 was seeking to -- was planning to go into 11, as well, but --

4 MR. PARHAM: Yeah, GNET ATC, LLC.

5 THE COURT: And you said the sole member of that  
6 entity?

7 MR. PARHAM: Is Goodman Networks.

8 THE COURT: Is Goodman Networks, okay.

9 MR. PARHAM: Uh-huh.

10 THE COURT: And when would you seek to have your  
11 motion to convert heard, Mr. Parham?

12 MR. PARHAM: We're happy to have it heard as soon as  
13 practical, as soon as the Court can hear. It's -- I don't see  
14 a reason for a lot of delay. I think to the extent that people  
15 are objecting, we would like to have those objections on file  
16 so that we don't get in here and get into a free-for-all. We  
17 would like to know what the allegations are going to be.

18 When I said that you could convert as a matter of  
19 right, I think that's kind of how bankruptcy lawyers tend to  
20 view it. There is, as we point out in our pleadings, there is  
21 -- the Court has the ability under certain limited  
22 circumstances not to grant the motion to convert. And that's  
23 briefed out in our motion. We don't think those factors are  
24 present here.

25 But certainly, we can hear this soon. There's no

1 reason to drag it out, but we would like to know --

2 THE COURT: Sure.

3 MR. PARHAM: -- what the opposition is before we --

4 THE COURT: All righty. Is there anyone else who  
5 wishes to be heard?

6 MR. GUFFY: Your Honor, Philip Guffy for the original  
7 petitioning creditors.

8 Just with respect to the motion to convert --

9 THE COURT: Sure.

10 MR. GUFFY: From the research I've done so far, the  
11 standard for whether that motion to convert should be granted  
12 is essentially the same standard as to whether the case should  
13 be converted from an 11 to the 7. I mean the basic legal  
14 standard is if granting the motion to convert would be futile  
15 because the case -- there are grounds to convert the case back  
16 to a 7 anyway, then that is grounds to deny a motion to  
17 convert.

18 So any kind of proceeding in connection with a motion  
19 to convert will essentially be the same as a motion to convert  
20 the case from an 11 to a 7 which would necessarily involve  
21 factual discovery regarding whether the debtor has an ability  
22 to reorganize, which of course the debtor's already admitted  
23 that they don't, as well as investigation into the behavior of  
24 prior management and what sort of factors would bear on the  
25 conversion in that scenario.

1                   So we think that with respect to the motion to  
2 convert, it would essentially be the same argument as a motion  
3 to convert from an 11 to a 7. It would be the same motion,  
4 essentially.

5                   THE COURT: Okay.

6                   MR. LANGLEY: Your Honor, this is Adam Langley again.

7                   THE COURT: Mr. Langley, let --

8                   MR. LANGLEY: To present a couple of problems --

9                   THE COURT: Mr. Langley, let me finish up with Mr.  
10 Guffy.

11                  MR. LANGLEY: Yes, I'm sorry.

12                  THE COURT: And so if the standard is the same, Mr.  
13 Guffy, I think I want to better understand your point there.  
14 Are you saying to allow them to convert?

15                  MR. GUFFY: No, Your Honor, not be allowed to --  
16 because Mr. Parham had mentioned earlier in his presentation  
17 that it would procedurally would not make sense to convert the  
18 case to allow and then creditors are going to file a motion to  
19 convert it back to a 7.

20                  That scenario wouldn't happen because we'd be raising  
21 the same legal and factual issues opposing Mr. Parham's motion  
22 to convert to an 11 that we would raise attempting to convert  
23 the case from an 11 to a 7.

24                  THE COURT: Okay.

25                  MR. GUFFY: That was the point I was attempting to

1 make, Your Honor.

2 THE COURT: Thank you very much, Mr. Guffy.

3 Mr. Langley?

4 MR. LANGLEY: Yes, Your Honor.

5 So I understand where the Court's going on a hearing  
6 on the motion to convert. And we can address the standards at  
7 that time. But I will say that FedEx will oppose it. We will  
8 assert bad faith conduct related to that and mismanagement of  
9 the assets. So there will be a need to conduct the discovery  
10 that Mr. Guffy's talking about.

11 And that raises a practical consideration because  
12 there's abundant case law out there that after an order for  
13 relief is entered in a Chapter 7, all the documents, all the  
14 estates, all the privileges, all the types of things that you  
15 would fight over in discovery disputes become the Chapter 7  
16 Trustee's.

17 But until we have a Chapter 7 Trustee to represent  
18 the estate, I don't know how we are going to have those type of  
19 discovery issues in the context of this because there's just  
20 such an unusual thing to allow a non-debtor to pursue the  
21 debtor's conversion and essentially are they going to turn over  
22 documents to us and a Chapter 7 Trustee?

23 I think we -- what I'm getting at is I think we do  
24 need a Chapter 7 Trustee to be able to marshal this evidence,  
25 to be able to marshal the assets, and to administer this during

1 whatever gap period is going to be between the order of relief  
2 and the motion to convert. And that will -- the Chapter 7  
3 Trustee needs to have the right to appear and be heard on these  
4 issues because the estate -- Mr. Parham said he is not  
5 representing the estate. Who is at this point? That's a big  
6 concern if there's not a Chapter 7 Trustee.

7 THE COURT: All right. Well --

8 MR. LANGLEY: So I would ask the Court go ahead and  
9 move on that.

10 THE COURT: -- there will be a Chapter 7 Trustee. I  
11 mean one will be appointed by the United States Trustee's  
12 Office this week most likely. I mean my recognition was there  
13 was not one yet. There will likely be one this week, I would  
14 imagine. Again, it comes from obviously, as you know, from the  
15 United States Trustee's Office.

16 So I don't quite understand the discovery issue.  
17 Certainly, the debtor would have to turn over documents to the  
18 Chapter 7 Trustee. Are you saying that the debtor couldn't  
19 turn them over to you because they don't have the authority to  
20 turn them over to you anymore?

21 MR. LANGLEY: Your Honor, I know -- I can tell you  
22 from a standpoint of discovery, FedEx was prepared to bring a  
23 number of discovery disputes, as you know, related to these  
24 actions based on what was going on. We had substantial  
25 difficulty even finding who was acting on behalf of these

1 entities and who had the authority to do things.

2 So it poses the question are we about to be thrust  
3 right back into where we came from after the order for relief.  
4 I think if the Chapter 7 Trustee's going to be appointed, that  
5 was not clear to me because Mr. Parham had said withdraw the  
6 order for relief, file a motion to convert.

7 I'm not even sure what's being proposed there. But  
8 that was my concern is that we wouldn't have a Chapter 7  
9 Trustee to essentially be able to marshal all this going  
10 forward. And I think a Chapter 7 Trustee will be greatly  
11 advantageous to this estate.

12 THE COURT: Okay. Thank you, Mr. Langley.

13 Anyone else on WebEx wish to be heard, any of the  
14 creditors?

15 (No audible response)

16 THE COURT: Mr. Parham, anything in final word?

17 MR. PARHAM: The only thing -- I learned the last  
18 time.

19 The only thing I would say is, you know, we avoid a  
20 lot of the issues Mr. Langley's talking about if you withdraw  
21 the order for relief and we just go on and we have a hearing.  
22 I do agree with Mr. Guffy that the test that you look at is  
23 going to be the same whether it's to convert to -- whether  
24 you're opposing a conversion to 11 or whether you are moving  
25 back into a 7 or a Trustee. That's going to be -- that will be

1 the issue. It will be the same test, I think.

2 But I think that if we were to go the route we  
3 suggest, you avoid a lot of issues and a lot of complications  
4 by interjecting a trustee into this scenario at the current  
5 time as we go through this --

6 THE COURT: But how do I -- if I send you right back  
7 into that involuntary purgatory, all righty, then how do I  
8 protect the estate?

9 MR. PARHAM: No. I wouldn't say that. I would not  
10 suggest that you send us back into an involuntary purgatory. I  
11 would say you send us into Chapter 11 and at that point in  
12 time, we have the duties of the trustee.

13 I mean, you know, and frankly we were under the  
14 auspices of the Court and obviously we can't do anything  
15 without -- outside the ordinary course of business. And,  
16 frankly, there's really not much of an ordinary course of  
17 business, so almost anything would have to be with your  
18 approval, obviously, to the extent that we wanted to retain  
19 professionals and the like that is subject to you and to the  
20 courts.

21 So you have all the protections you would have with a  
22 regular Chapter 11 debtor, more so than I think what you  
23 probably have during the gap period in an involuntary 7. So  
24 we're not suggesting that you send us back to an involuntary.  
25 What we would be saying is enter an order for relief, put us

1 into Chapter 11 and then we'll have a trial to see if this goes  
2 back to 7. And that does avoid the very issues that Mr.  
3 Guffy's talking about and the confusion that you would have  
4 with a trustee turning over records to them, turning over --  
5 who's turning over records to who and the like.

6 THE COURT: Thank you, Mr. Parham.

7 MR. SILVERSTEIN: Your Honor, may I be heard, or is  
8 it not -- Paul Silverstein, for the record. There's no basis  
9 whatsoever for that type of relief. I think Your Honor knows  
10 that. I think we all know that.

11 THE COURT: All right. Thank you, Mr. Silverstein.

12 All righty. It is 3:30. The Court is going to take  
13 a recess until 3:50. And then I'll come back out and at a  
14 minimum, we can talk about a briefing schedule on the motion to  
15 convert. All righty? The Court stands in recess until 3:50.

16 THE CLERK: All rise.

17 (Recess at 3:30 p.m./Reconvened at 4:11 p.m.)

18 THE CLERK: All rise.

19 THE COURT: Please be seated.

20 We're going to go back on the record in Case  
21 Number 22-31641. I apologize for the delay.

22 Frankly, the folks have brought some really  
23 interesting legal arguments to me, and unless there's been any  
24 other discussions and parties want to discuss any other issues  
25 or propositions, the Court is prepared to move forward from a

1 scheduling perspective.

2 Has there been any other developments?

3 MR. PARHAM: No.

4 THE COURT: Okay. Thank you very much.

5 All right. For the sake of the parties, I did want  
6 to take a little bit of time with the issues. I did want to  
7 review the C.W. Mining case that had been cited to me. But  
8 also, frankly, to look back at what I recall having done in a  
9 number of different involuntaries because there is certainly  
10 some argument on behalf of the debtor and 706(a) that the  
11 conversion is a matter of right.

12 I am not prepared to convert the case to a Chapter 11  
13 today, given that I know that the motion to convert on behalf  
14 of the debtor is contested. Nor am I inclined to set up a  
15 lengthy briefing schedule on the motion to convert because I do  
16 believe that if a Chapter 7 trustee were to come in and we give  
17 a certain amount of space to that, that you could start  
18 essentially to change the status quo such that you've got the  
19 issues that were raised in C.W. Mining I think come to fore.

20 So here's what I am prepared to do. I am prepared to  
21 have a fairly quick hearing on the debtor's motion to convert.  
22 And when I say a quick hearing, I mean we have the 19th  
23 available, that entire day was already available to the  
24 parties. I think that what we should do is we should have a  
25 quick hearing on that motion to convert, and whatever the

1 outcome of that hearing is, including whether or not if the  
2 debtor's case were to convert to an 11, it would be without  
3 prejudice to a motion to reconvert by the creditors.

4 And that is essentially, and again, I'm not pre-  
5 ruling by any means, but what I'm basically saying is, I'm  
6 trying not to over complicate this case, and I'm also trying to  
7 give a little bit of space in this case for parties to be able  
8 to talk. Obviously, if there is a new director and that  
9 director is an independent third party, I think there might be  
10 ways for folks to talk about if there were consent to a  
11 Chapter 11, what that might look like, things of that nature.

12 Or, if the case were to stay in Chapter 7, what that  
13 might look like. Whatever the case is, I'd like to give the  
14 parties a little bit of breathing room. And so what I'm going  
15 to do is I'm going to schedule the hearing on the motion to  
16 convert. We could either do the morning or we could do the  
17 afternoon. Obviously, we have the entire day.

18 Mr. Parham, how long would the debtors propose for  
19 the hearing?

20 MR. PARHAM: I think we'll be quick.

21 THE COURT: So I'm hearing three hours in my head.

22 MR. PARHAM: Yeah. I would like to start in the  
23 morning.

24 THE COURT: Okay.

25 MR. PARHAM: Just the nature of this case is, it

1 doesn't go as quick as --

2 THE COURT: To the podium, Mr. Parham.

3 MR. PARHAM: The nature of this case is things don't  
4 go as quick as we might think they would. So I would like, I  
5 would think that we could get our case on and off in a couple  
6 of hours really. I mean, I haven't thought through exactly  
7 what we would do, but I think it would go pretty quick. But I  
8 would like to have the day reserved and start in the morning  
9 and see if we can finish it up.

10 THE COURT: All right.

11 MR. SILVERSTEIN: Your Honor, may I be heard?

12 MR. PARHAM: Your Honor, if I may make one --

13 THE COURT: Just one moment, Mr. Silverstein,  
14 Mr. Parham is finishing up, and then I'll turn to you.

15 MR. PARHAM: Yeah.

16 MR. SILVERSTEIN: Thank you.

17 MR. PARHAM: Mr. Nelms has asked me to make an offer  
18 to the other parties that, if they want to interview him, that  
19 he's certainly open to that. And if they want to record it,  
20 they can. There's no reason to depose him. But between now  
21 and the 19th, he certainly would be willing to sit for a  
22 telephonic interview if the other parties cared to do that.

23 THE COURT: Okay. Thank you very much, Mr. Parham.

24 Mr. Silverstein.

25 MR. SILVERSTEIN: Thanks, Your Honor. On behalf of

1 the original petitioning creditors, Paul Silverstein.

2 Your Honor, I'm hearing that you're proposing an  
3 evidentiary hearing on a motion to convert to Chapter 11 on six  
4 days' notice, and you're contemplating an evidentiary hearing  
5 on that. It seems a little tight time-wise.

6 THE COURT: It is tight time-wise, Mr. Silverstein.  
7 You are absolutely correct. But here's the situation. On the  
8 recess, I was able to not only review some other dockets, but  
9 also to speak to some of my colleagues. And it has come to my  
10 intention that in this district, on multiple occasions, the  
11 debtor has been allowed at an involuntary to consent to an  
12 order for relief under a different chapter. Okay.

13 And so in this instance, I obviously have a very  
14 contested conversion, as I said before, and that the Court by  
15 entry of the order for relief did not intend to change the  
16 status quo. Okay. And so my intention is, by having an  
17 initial quick hearing on the motion to convert when the parties  
18 were already otherwise available, that will get the issues out  
19 and it's going to be without prejudice to the creditors' rights  
20 to seek to reconvert to Chapter 11, which would again give you  
21 guys more time to have the more fulsome discovery that you may  
22 want.

23 So yes, it is extremely quick.

24 MR. SILVERSTEIN: You mean to reconvert to Chapter 7.  
25 You misspoke. But I understood that. But -- I think.

1           So is there any confusion here between a debtor's  
2 absolute right to convert to Chapter 7? Because the debtor has  
3 an absolute right under the statute to convert a case to  
4 Chapter 7.

5           THE COURT: Okay. So let's look at 706. 706(a)  
6 says, "The debtor may convert a case under this chapter to a  
7 case under Chapter 11 of this Title at any time if the case has  
8 not been converted under Section 1112, 1208, or 1307 of this  
9 Title." And I read --

10          MR. SILVERSTEIN: it says, "may seek," I think.

11          THE COURT: Pardon?

12          MR. SILVERSTEIN: Doesn't it say, "may seek"?

13          THE COURT: "A debtor may convert" --

14          MR. SILVERSTEIN: The debtor?

15          THE COURT: "A debtor may convert a case under this  
16 chapter to a case under Chapter 11, 12, or 13 of this Title at  
17 any time if the case has not been converted under 1112, 1208,  
18 or 1307 of this Title."

19          MR. SILVERSTEIN: I want to defer to Mr. Guffy who I  
20 think did some of that research on that subject, if I may.

21          THE COURT: Okay. Please.

22          MR. LANGLEY: Your Honor, this is Adam -- this is  
23 Adam Langley, too. I can add some color, but I'll wait for  
24 Mr. Guffy. Sorry.

25          THE COURT: Okay.

1                   MR. GUFFY: Your Honor, the case law that I had  
2 found, admittedly not from this district, but from the Middle  
3 District of Florida in a case called In re Eugene Alexander  
4 Incorporated, 191 B.R. 920, stood for the proposition that the  
5 court should not permit conversion if cause exists to convert a  
6 Chapter 11 to a Chapter 7 or to dismiss the Chapter 11 case  
7 because to permit conversion under those circumstances would be  
8 a futile act.

9                   So our position would be that we should be given an  
10 opportunity to show at an evidentiary hearing that cause exists  
11 to convert the case from Chapter 11 to Chapter 7 before the  
12 debtor is permitted to convert this case to Chapter 11.

13                  THE COURT: Okay.

14                  MR. SILVERSTEIN: And we can provide that case law if  
15 you want briefing on that. I mean, the problem is that we're  
16 sort of putting a cart before the horse, if that's the right  
17 expression here.

18                  THE COURT: So that's 191 B.R. 920?

19                  MR. GUFFY: Correct, Your Honor.

20                  THE COURT: Okay. Thank you.

21                  Mr. Langley.

22                  MR. LANGLEY: Yes, Your Honor. And I actually had a  
23 long discussion with my partner, Marty Sosland, on this very  
24 issue because he said it was a long-standing practice in the  
25 Northern District to do this. But he wasn't aware of the

1       Marrama case and its implications on this, which was a 2007  
2 case that did change the practice.

3           And so Marrama is very clear that if the Court has  
4 any inkling that there is good cause to deny the motion to  
5 convert because of some type of bad faith conduct or other  
6 issue related to mismanagement, that the Court needs to take  
7 evidence and to have a hearing on that bad faith conduct. And  
8 so that was what Marrama says.

9           And then also, Jacobson, which is a Fifth Circuit  
10 case, which is 609 F.3d 647, which is again another Chapter 13,  
11 but courts have routinely held that that holding applies in the  
12 Chapter 11, as well. It is a proposition that rejects the  
13 construction of these conversion statutes that would allow an  
14 abusive debtor to escape through an escape hatch is what it  
15 says.

16          And so Jacobson and Marrama are very clear that this  
17 Court has to be very cautious when there are allegations of  
18 fraud or bad faith conduct or mismanagement, not to allow an  
19 abusive debtor to essentially move through an escape hatch to  
20 another chapter where they would remain in possession. And so  
21 we would put very strongly before the Court that we do need  
22 discovery that was cut off by the order of relief in order to  
23 make the bad faith allegations, which were not the subject of  
24 the pre-order for relief discovery.

25          We were going through discovery on completely

1 different issues. And I would suggest that if the Court wants  
2 to take up the standing issue on the 19th, that's something we  
3 can brief and do on a legal basis. But if the Court  
4 anticipates an evidentiary hearing on bad faith under the  
5 Marrama and Jacobson standards, we actually do need some  
6 discovery and we need significant time to put on the evidence  
7 related to these fraudulent transfers that we're going to  
8 allege.

9 THE COURT: Well, okay, Mr. Langley, and this will  
10 just apply to the creditors in general. I think you're trying  
11 to have your cake and eat it too. Okay. You want the debtor  
12 to be in Chapter 7, I understand that. I think the debtor has  
13 a right to seek to convert to Chapter 11. Okay. And if your  
14 argument is that with the imposition of a Chapter 7 trustee,  
15 its rights are going to be cut off and everything's going to  
16 get really, really complicated. And we don't know who's  
17 sitting for the depositions and whether or not documents can  
18 get to be given over and whether or not Mr. Parham has a  
19 client.

20 If all of these things are going to get even more  
21 complicated with the passage of time, okay, then the answer is,  
22 let's hear it quickly and preserve your rights to have your  
23 more fulsome evidentiary hearing on a motion to reconvert back  
24 to 7 later. I don't know how I can serve all the masters here  
25 of your legal theories without doing something more quickly. I

1 mean, the only other issues that I can think of are much more  
2 problematic, which is, I'm just going to say there are more  
3 problematic things. I'm not going to say everything that's in  
4 my head for once.

5 But so I think that the issue is, if you are going to  
6 argue that the passage of time takes away their standing, if  
7 you're going to argue that the passage of time complicates  
8 matters even further, then why not have a quicker hearing on  
9 conversion without prejudice to the right to reconvert?

10 MR. LANGLEY: Your Honor, I would suggest that that  
11 time has already passed. There are uncontested joining  
12 petitioners that have entitled us into an order of relief. And  
13 so there is a Chapter 7 case right now, and 701 requires prompt  
14 appointment of a Chapter 7 trustee, which under the C.W.  
15 Mining, it eliminates this issue. And I would go a step  
16 further and say, I don't think the appointment of a Chapter 7  
17 trustee, which C.W. Mining said was immediate, is the actual  
18 effect. I think it's the order for relief which triggers the  
19 appointment of the trustee to be done promptly under 701.

20 So I would suggest this is all over with. So the  
21 suggestion that this will be complicated with time, I disagree  
22 with because we have a Chapter 7 trustee that simplifies this  
23 process. We don't have to deal with a debtor who has acted in  
24 bad faith and that we will put on substantial evidence of bad  
25 faith under the Marrama standard.

1           And I just don't see where we're going with this when  
2 we have a Chapter 7 trustee that's fully capable of  
3 administering this estate and quite frankly has a matter of  
4 right to administer the estate that the debtor acting through  
5 Akerman does not have. So I don't know that I disagree with  
6 you in the sense of getting this scheduled in a way, but I  
7 would suggest that we do it in a way that allows for us to put  
8 on significant evidence under the Marrama standard and the  
9 Jacobson standard and I don't think six days is appropriate.

10           THE COURT: Well, and again, I don't want to divest  
11 you of that opportunity. And I want to give you your day to  
12 put on your evidence. But what I hear you telling me is that  
13 the passage of time is -- I mean, you would like, I assume,  
14 this debtor to stay in this limbo of trying to convert its case  
15 under 706 and you'd like them to do that for how long? For a  
16 month?

17           MR. LANGLEY: Your Honor, our position would be that  
18 the Chapter 7 trustee is fully capable of administering this  
19 during any time period that this motion to convert is  
20 outstanding. I think we would probably need at least 30 to 60  
21 days to do discovery. I think we could take up on like a  
22 summary judgment standard, the legal issue on standing much  
23 quicker. And quite frankly, I have a brief that I've been  
24 working off of today that we are prepared to get filed pretty  
25 quickly on the standing issue.

1           So I think if the Court wanted to bifurcate the  
2 evidence you're hearing from a legal hearing on the 19th, I  
3 think we could be prepared to move forward on that standing  
4 issue very quickly. I think, quite frankly, we'll put pretty  
5 overwhelming evidence before the Court on that.

6           And then, as to the matter of right, I think we could  
7 also brief that issue as to a matter of right, because again,  
8 that's a legal issue. And then, if there are subsequent issues  
9 of bad faith that arise under Marrama and Jacobson that are  
10 going to require discovery and an evidentiary hearing, we could  
11 schedule that at another time.

12          What I don't want is a Chapter 7 trustee to be  
13 appointed and then divested of their rights to pursue these  
14 causes of action and administer this estate while we interject  
15 a Chapter 11 debtor-in-possession that we know has acted in bad  
16 faith. And I know the Court doesn't know that because you  
17 haven't seen the evidence. But I can tell you --

18          THE COURT: No, I don't know that at all. You're  
19 right.

20          MR. LANGLEY: -- all the creditors here on the -- all  
21 the creditors here on the phone are prepared to put on  
22 significant evidence when that time comes. Frankly, I think  
23 you already have some before you on the motion for summary  
24 judgment at 80-1. Docket 80-1 shows a number of fraudulent  
25 transfers.

1                   MR. SILVERSTEIN: Your Honor, may I be heard? It's  
2 Paul Silverstein.

3                   There's no limbo here. There's no limbo here at all.  
4 I mean, if Judge Nelms (indiscernible) as a Chapter 11 trustee,  
5 or a Chapter 7 trustee, I mean that's a whole different  
6 situation. He's coming in as an independent director and it's  
7 not even clear who appointed him and whether there was  
8 authority to appoint him as an independent director in the  
9 first instance.

10                  And for us to even look at that on six days' notice,  
11 how can I do that? I don't think it's possible. I'd love to  
12 have a conversation with Judge Nelms because it's, you know, I  
13 mean, Judge (indiscernible) is again, certainly --

14                  THE COURT: And I think they offered up --

15                  MR. SILVERSTEIN: -- probably --

16                  THE COURT: -- they offered up -- I mean, obviously,  
17 I can't -- inserting him as a motion -- excuse me, as a  
18 Chapter 11 trustee, I think you realize the step that would  
19 have to occur before I could do that, but.

20                  MR. SILVERSTEIN: Yes.

21                  THE COURT: And I would -- I would certainly --

22                  MR. SILVERSTEIN: And I agree. I agree --

23                  THE COURT: -- and I would certainly like to give the  
24 parties the space and the time to have a conversation about the  
25 various possibilities that there are between here and

1 Chapter 7, or here and regular Chapter 11. And I think there  
2 are lots of possibilities there.

3 MR. SILVERSTEIN: I agree.

4 THE COURT: But the only way that I can do that is to  
5 set this motion. And if it weren't for the standing argument,  
6 which is novel and interesting, okay. If it weren't for that,  
7 then I probably would be persuaded to give this more time and  
8 fulsome discovery. But as I'm hearing, the parties are going  
9 to argue that the Chapter 7 trustee coming in, in and of  
10 itself, and I understand that Mr. Langley has now said, "No,  
11 no, no. It's the order for relief. It is what it is."

12 But I mean, we all know what happened. We all know  
13 that the order for relief was entered, but at that time, the  
14 debtor was seeking to convert right away. Now, we could argue  
15 procedurally the different things the debtor could have done,  
16 but we are where we are.

17 MR. SILVERSTEIN: Right. I think the evidence would  
18 show that the debtor, the notion of the motion to convert was  
19 purely to stall discovery that the debtor didn't want. Okay.  
20 That the principles and the other related parties who were  
21 going to be subject to discovery didn't want. They desperately  
22 didn't want that. I could understand Your Honor scheduling a  
23 status conference for the 19th directing that the parties have  
24 a meet and confer. And I understand meeting and conferring  
25 (indiscernible) sometimes works wonderful (indiscernible) and

1 there's some background that's not for me here --

2 THE COURT: Yeah. We're trying to address that.

3 MR. SILVERSTEIN: -- but that meeting and conferring  
4 would -- might be helpful. And, again, Judge Nelms might be  
5 helpful but there's a big difference converting a case to  
6 Chapter 11 and meeting and conferring among the parties to try  
7 to find a solution to maximize values for the secured and  
8 unsecured creditors here. That's my only point.

9 I hear you. I understand what Your Honor is saying,  
10 but six days, respectfully, seems like a ludicrous time frame  
11 for this type of motion because I don't know -- when would  
12 responses be due and when, and the like? And discovery? Would  
13 there not be discovery? What issues would be on the table  
14 before Your Honor? Is the only issue is their absolute right  
15 to convert to Chapter 11? I mean, I'm not sure what the rules  
16 are here anymore.

17 I'm sorry if I'm ignorant, but I just don't get it.

18 THE COURT: Again, if the creditors are going to  
19 argue that the debtor does not have a right to convert because  
20 once you're in Chapter 7, that's it, and that you have no right  
21 to --

22 MR. SILVERSTEIN: I'm not -- we're not arguing that.

23 THE COURT: Okay.

24 MR. SILVERSTEIN: We're not arguing that.

25 THE COURT: Okay. So when is that going to be heard?

1                   MR. SILVERSTEIN: If you want that to be heard on the  
2 19th, have that hearing on the 19th. I'm not arguing that.  
3 The original --

4                   THE COURT: Okay. So the petitioning creditors are  
5 not arguing that the debtor doesn't have standing to attempt to  
6 convert?

7                   MR. SILVERSTEIN: The original petitioning creditors  
8 are not --

9                   THE COURT: Right.

10                  MR. SILVERSTEIN: -- represented by me and Mr. Guffy,  
11 are not arguing that because if you look at the case law,  
12 obviously, there were motions to convert after -- I believe  
13 after an order (indiscernible). Am I correct Mr. Guffy? I may  
14 be confusing the case laws, but I think that was our --

15                  MR. GUFFY: Yeah, we did find some cases where that  
16 had happened, including the case that I cited to Your Honor.

17                  MR. SILVERSTEIN: So that's not our argument here.  
18 We're not saying that the debtor doesn't have standing.

19                  THE COURT: Okay.

20                  MR. SILVERSTEIN: That's not our position.

21                  MR. LANGLEY: Your Honor, it is the position of the  
22 other petitioning creditors.

23                  MR. SILVERSTEIN: It is not --

24                  THE COURT: Mr. Langley.

25                  MR. LANGLEY: Yeah, it is the position of other

1 petitioning creditors, including FedEx, that there is no  
2 standing. And I would cite to you, it's a Northern District of  
3 Texas district court decision after Marrama that's citing  
4 Marrama. And that is 2010 WL 3385025, the Thomason and  
5 Associates LLC case.

6 And to quote it, it says, "In short, a debtor does  
7 not have an unqualified right to convert a Chapter 7 proceeding  
8 into a Chapter 11 reorganization." And then it continues later  
9 on, "Consequently, the bankruptcy court concluded the debtor  
10 cannot be a Chapter 11 debtor because there is no hope of  
11 reorganizing."

12 And, Your Honor, we're happy to present these legal  
13 issues to you on a quick basis, but there is ample case law  
14 that we can cite for these propositions, and we would happily  
15 do that on a pretty quick time frame. But we can't do an  
16 evidentiary hearing on a quick time frame.

17 THE COURT: Just give me one moment.

18 All right. I am going to stick with my initial  
19 thoughts. I'm going to have a hearing on the motion to convert  
20 on the 19th, and it is going to be without prejudice to the  
21 petitioning creditors' rights after that time to reurge a  
22 motion to reconvert.

23 And the reasoning is because I don't disagree with  
24 the parties that, I mean, first of all, I think a debtor  
25 whether that is an absolute right to convert or whether that is

1 a right to seek to convert, I believe a debtor has that right  
2 period, end of story. If not, you're reading 706 out of the  
3 Code. Okay.

4 And so if the creditors want to attempt to try to  
5 convince me on the 19th that a debtor doesn't have standing,  
6 this debtor doesn't have standing to seek to convert, let's  
7 bring the case law that day, because I will have to be  
8 convinced. I will have to be convinced that everything that we  
9 have done in this district post Marrama, which as I recall is,  
10 wasn't it 2008? I believe so. It's under Jacobson. Jacobson  
11 is 2010.

12 That everything that we have been doing, up and  
13 including decisions and actions that were taken two weeks ago  
14 in this district were wrong. Okay. So Marrama was 2005.  
15 Thank you, Mr. Embry.

16 And so, again, whether or not I can consider issues  
17 of bad faith for conversion, things of that nature, but if we  
18 are going to have this issue on standing and there is an  
19 argument that documents are going to get turned over, that  
20 privileges are going to move, all of these things, I'm going to  
21 have, again, that motion to convert will be heard on Monday the  
22 19th without prejudice to the creditors to seek to reconvert  
23 thereafter, if I were to convert it to a to a Chapter 11. And  
24 of course, you still have to bear your burden on that,  
25 Mr. Parham.

1           And as Mr. Parham has offered up, Mr. Nelms is  
2 available between now and the 19th to have an interview with  
3 you guys. I encourage the parties to confer. And, again,  
4 there is more than one way to skin the cat in these cases, and  
5 so just put your creative thinking caps on.

6           But that's where we'll go for now. Depending on what  
7 happens at the hearing on the 19th, if the parties want to seek  
8 a briefing schedule and/or a discovery schedule to set a  
9 hearing with respect to a motion to reconvert, we can discuss  
10 it at that time. I don't think that we're going to prejudge  
11 that because we'll allow folks to have some opportunity to talk  
12 and proceed on the 19th.

13           But that's what we're going to do for now. If the  
14 parties otherwise agree to put this off and do it differently,  
15 please contact the Court. But that's where we'll go for now.

16           All right.

17           MR. PARHAM: Thank you, Your Honor.

18           THE COURT: All right.

19           MR. SILVERSTEIN: Your Honor?

20           THE COURT: Anything else?

21           MR. GUFFY: Yes, Your Honor.

22           Are you setting a deadline for any kind of response  
23 that the creditors would file to the motion to convert?

24           THE COURT: The 16th, Mr. Guffy. All right.

25           MR. GUFFY: Thank you, Your Honor.

1                   THE COURT: Actually, what I'll do -- here's what  
2 I'll do. I'll give you until the 17th, the full day on the  
3 17th. I know that's not a whole lot being that's Saturday, but  
4 it is what it is.

5                   MR. SILVERSTEIN: And, Your Honor, it's Paul  
6 Silverstein.

7                   Can you also direct the debtor to provide the parties  
8 with the documentation under which Judge Nelms was designated  
9 or appointed as an independent director? We'd like to see that  
10 documentation immediately.

11                  THE COURT: Mr. Parham?

12                  MR. PARHAM: Yes?

13                  THE COURT: Do you have any problem turning over the  
14 documentation by which Mr. Nelms was appointed to the  
15 creditors?

16                  MR. PARHAM: No. No, we have no problem..

17                  THE COURT: Okay. Yes. If you could do that after  
18 the hearing, I'd appreciate it.

19                  MR. PARHAM: Sure.

20                  THE COURT: Okay.

21                  MR. SILVERSTEIN: Thank you very much.

22                  THE COURT: You're welcome.

23                  Anything else?

24                  MR. PARHAM: Not here.

25                  THE COURT: All righty. The Court will stand

1 adjourned for the day.

2 You guys have a great day.

3 MR. PARHAM: Thank you.

4 MR. SILVERSTEIN: Thank you, Your Honor.

5 THE CLERK: All rise.

6 THE COURT: You're welcome.

7 (Proceedings adjourned at 4:43 p.m.)

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**C E R T I F I C A T I O N**

13 We, DIPTI PATEL and KAREN K. WATSON, court approved  
14 transcribers, certify that the foregoing is a correct  
15 transcript from the official electronic sound recording of the  
16 proceedings in the above-entitled matter, and to the best of  
17 our ability.

18

19 /s/ Dipti Patel

20 DIPTI PATEL, CET-997

21 /s/ Karen K. Watson

22 KAREN K. WATSON, CET-1039

23 LIBERTY TRANSCRIPTS

DATE: February 2, 2023

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